

FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2018

PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, Q3 & Q4), HALF YEAR AND FULL YEAR RESULTS

1(a)(i) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	THE GROUP		
	1Q 2019	1Q 2018	
	1 Jul 2018 to 30 Sept 2018 US\$'000	1 Jul 2017 to 30 Sept 2017 US\$'000	Increase/ (Decrease) %
Revenue	6,315	13,756	-54.1%
Cost of sales	(4,093)	(5,666)	-27.8%
Gross profit before direct depreciation	<u>2,222</u>	<u>8,090</u>	
Direct depreciation	(3,366)	(5,810)	-42.1%
Gross (loss)/profit	<u>(1,144)</u>	<u>2,280</u>	-150.2%
Other operating income	924	651	41.9%
Administrative expenses	(3,441)	(5,604)	-38.6%
Finance costs	(1,924)	(2,391)	-19.5%
Share of net (loss)/profit of associates and joint ventures	(142)	957	NM
Loss before income tax	<u>(5,727)</u>	<u>(4,107)</u>	39.4%
Income tax credit	-	13	NM
Loss for the period	<u>(5,727)</u>	<u>(4,094)</u>	39.9%
Loss for the period attributable to:			
Owners of the Company	(5,428)	(3,573)	51.9%
Non-controlling interests	(299)	(521)	-42.6%
Loss for the period	<u>(5,727)</u>	<u>(4,094)</u>	39.9%
1(a)(ii) Statement of Comprehensive income			
Loss for the period	(5,727)	(4,094)	39.9%
Other comprehensive income :			
Foreign currency translation of foreign entities	(326)	20	NM
Total comprehensive income for the period	<u>(6,053)</u>	<u>(4,074)</u>	NM
Total comprehensive income attributable to:			
Owners of the company	(5,428)	(3,558)	52.6%
Non-controlling interests	(299)	(516)	-42.1%
Total comprehensive income for the period	<u>(5,727)</u>	<u>(4,074)</u>	40.6%

Notes:

(1) NM = Not meaningful



1(a)(iii) Profit before income tax is arrived at after charging / (crediting):-

	THE GROUP	
	1Q 2019	1Q 2018
	1 Jul 2018 to 30 Sept 2018	1 Jul 2017 to 30 Sept 2017
	US\$'000	US\$'000
Depreciation and amortisation expenses	3,506	6,076
Exchange loss/(gain) - net	129	512
Interest expense	1,924	2,391
Interest income	(8)	(125)
(Gain)/Loss on disposal of property, plant and equipment	-	(3)
Allowance for doubtful receivables	-	770

1(b)(i) A statement of financial position (for the issuer and group) together with a comparative statement as at the end of the immediately preceding financial year.

	THE GROUP		THE COMPANY	
	30/9/2018 US\$'000	30/6/2018 US\$'000	30/9/2018 US\$'000	30/6/2018 US\$'000
ASSETS				
Current assets				
Cash and bank balances	3,286	4,576	453	37
Trade receivables	50,838	48,859	-	-
Other receivables	32,923	26,745	249	272
Inventories	1,097	282	-	-
	<u>88,144</u>	<u>80,462</u>	<u>702</u>	<u>309</u>
Assets held for sale	11,085	114,846	-	-
Total current assets	<u>99,229</u>	<u>195,308</u>	<u>702</u>	<u>309</u>
Non-current assets				
Other receivables	1,216	1,193	-	-
Property, plant and equipment	142,208	151,168	41	63
Subsidiaries	-	-	27,400	42,140
Associates	36,495	4,683	*	*
Joint venture	3,751	3,751	*	*
Available-for-sale investments	2,098	2,098	2,098	2,098
Other intangible assets	186	186	-	-
Deferred tax assets	542	541	-	-
	<u>186,496</u>	<u>163,620</u>	<u>29,539</u>	<u>44,301</u>
Assets held for sale	7,581	7,581	-	-
Total non-current assets	<u>194,077</u>	<u>171,201</u>	<u>29,539</u>	<u>44,301</u>
Total assets	<u>293,306</u>	<u>366,509</u>	<u>30,241</u>	<u>44,610</u>
LIABILITIES AND EQUITY				
Current liabilities				
Trade payables	14,074	13,342	-	-
Other payables	52,774	44,678	145,708	141,469
Finance leases	109	106	7	11
Borrowings	96,505	114,192	22,312	39,454
Income tax payable	3,526	3,366	-	-
	<u>166,988</u>	<u>175,684</u>	<u>168,027</u>	<u>180,934</u>
Liabilities associated with assets held for sale	6,864	31,021	-	-
Total current liabilities	<u>173,852</u>	<u>206,705</u>	<u>168,027</u>	<u>180,934</u>
Non-current liabilities				
Notes payables	36,576	36,657	36,576	36,657
Deferred tax liabilities	5,100	5,100	-	-
Other payables	13,683	14,011	-	-
Finance leases	240	191	-	-
	<u>55,599</u>	<u>55,959</u>	<u>36,576</u>	<u>36,657</u>
Liabilities associated with assets held for sale	6,831	6,831	-	-
Total non-current liabilities	<u>62,430</u>	<u>62,790</u>	<u>36,576</u>	<u>36,657</u>
Capital and reserves				
Share capital	231,009	231,009	231,009	231,009
Treasury shares	(4,114)	(4,114)	(4,114)	(4,114)
Capital reserve	(19,608)	(19,608)	11,824	11,824
Share-based payments	639	639	639	639
Merger reserve	(151,692)	(151,692)	-	-
Foreign currency translation reserve	(688)	(362)	-	-
Accumulated losses	(5,840)	(412)	(413,720)	(412,339)
Equity attributable to owners of the Company	<u>49,706</u>	<u>55,460</u>	<u>(174,362)</u>	<u>(172,981)</u>
Non-controlling interests	7,318	41,554	-	-
Total equity	<u>57,024</u>	<u>97,014</u>	<u>(174,362)</u>	<u>(172,981)</u>
Total liabilities and equity	<u>293,306</u>	<u>366,509</u>	<u>30,241</u>	<u>44,610</u>

Notes:

* Amount less than US\$1,000



1(b)(ii) Aggregate amount of group's borrowings and debt securities

	THE GROUP			
	As at 30/9/2018		As at 30/6/2018	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Amount repayable in one year or less, or on demand	103,478	-	121,162	-
Amount repayable after one year	36,816	-	36,848	-
Total	140,294	-	158,010	-

Details of any collateral:

- 1) The Group's borrowings are secured by:
 - i) corporate guarantee from Company and certain subsidiaries;
 - ii) legal mortgages over the relevant properties;
 - iii) legal mortgages over certain vessels of the Group;
 - iv) certain fixed deposits and bank balances;
 - v) assignment of certain vessels' charter- hire- income and insurance policies; and
 - vi) pledge of a subsidiary's shares.

- 2) Obligations under finance lease are secured by the lessor's charge over the leased assets.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	THE GROUP	
	1Q 2019	1Q 2018
	US\$'000	US\$'000
Cash flows from operating activities		
Loss before income tax	(5,727)	(4,107)
Adjustments for:		
Allowance for doubtful receivables	-	770
Depreciation and amortisation expenses	3,506	6,076
Exchange difference	637	1,625
Interest expense	1,924	2,391
Interest income	(8)	(125)
Gain on disposal of property, plant and equipment	-	(3)
Share of net loss/(profit) of associates and joint ventures	142	(957)
Operating cash flows before movements in working capital	<u>474</u>	<u>5,670</u>
Inventories	(815)	341
Trade receivables	(1,979)	(5,055)
Other receivables	(6,201)	3,126
Trade payables	732	114
Other payables	7,768	852
Cash (used in)/generated from operations	<u>(21)</u>	<u>5,048</u>
Income tax refund	-	-
Net cash (used in)/from operating activities	<u>(21)</u>	<u>5,048</u>
Cash flows from investing activities		
Interest received	8	125
Purchases of property, plant and equipment	-	(234)
Proceeds from disposal of property, plant and equipment	-	7
Proceed from disposal of subsidiary	18,363	-
Net cash from/(used in) investing activities	<u>18,371</u>	<u>(102)</u>
Cash flows from financing activities		
Interest paid	(1,924)	(2,391)
Fixed deposit and bank balances pledged	-	(801)
Addition/(Repayment) of finance lease obligations	52	(86)
Repayment of borrowings	(17,768)	(4,001)
Proceeds from borrowings	-	2,656
Net cash used in financing activities	<u>(19,640)</u>	<u>(4,623)</u>
Net (decrease)/increase in cash and cash equivalents	(1,290)	323
Effect of exchange rate changes	-	32
Cash and cash equivalents at beginning of the period	4,386	10,346
Cash and cash equivalents at end of the period	<u>3,096</u>	<u>10,701</u>
Cash and cash equivalents represent		
Bank and cash balance	3,113	8,796
Fixed deposits	173	3,208
	<u>3,286</u>	<u>12,004</u>
Less:		
Fixed deposits and bank balances pledged	(190)	(1,303)
Cash and cash equivalents in statement of cash flows	<u>3,096</u>	<u>10,701</u>



1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding

	Share capital US\$'000	Treasury shares US\$'000	Capital reserve US\$'000	Share option reserve US\$'000	Merger reserve US\$'000	Foreign currency translation reserve US\$'000	Accumulated (losses)/profits US\$'000	Total attributable to equity holders of the parent US\$'000	Non-controlling interests US\$'000	Total US\$'000
THE GROUP										
Balance as at 1 July 2018	231,009	(4,114)	(19,608)	639	(151,692)	(362)	(412)	55,460	41,554	97,014
Total comprehensive income for the period										
Loss for the period	-	-	-	-	-	-	(5,428)	(5,428)	(299)	(5,727)
Other comprehensive income for the period	-	-	-	-	-	(326)	-	(326)	-	(326)
Total	-	-	-	-	-	(326)	(5,428)	(5,754)	(299)	(6,053)
Transactions with owners of the Company, recognised directly in equity										
Disposal of subsidiary	-	-	-	-	-	-	-	-	(33,937)	(33,937)
Total	-	-	-	-	-	-	-	-	(33,937)	(33,937)
Balance as at 30 September 2018	231,009	(4,114)	(19,608)	639	(151,692)	(688)	(5,840)	49,706	7,318	57,024
Balance as at 1 July 2017	229,528	(4,114)	(19,608)	639	(151,692)	(404)	76,025	130,374	58,548	188,922
Total comprehensive income for the period										
Loss for the period	-	-	-	-	-	-	(3,573)	(3,573)	(521)	(4,094)
Other comprehensive income for the period	-	-	-	-	-	15	-	15	5	20
Total	-	-	-	-	-	15	(3,573)	(3,558)	(516)	(4,074)
Transactions with owners of the Company, recognised directly in equity										
Share buy-back	-	-	-	-	-	-	-	-	-	-
Dilution of interests in subsidiary without losing control	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-
Balance as at 30 September 2017	229,528	(4,114)	(19,608)	639	(151,692)	(389)	72,452	126,816	58,032	184,848



	Share capital US\$'000	Treasury shares US\$000	Capital reserve US\$000	Share option reserve US\$'000	Accumulated losses US\$'000	Total US\$'000
THE COMPANY						
Balance as at 1 July 2018	231,009	(4,114)	11,824	639	(412,339)	(172,981)
Loss for the year representing total comprehensive income for the year	-	-	-	-	(1,381)	(1,381)
Balance as at 30 September 2018	<u>231,009</u>	<u>(4,114)</u>	<u>11,824</u>	<u>639</u>	<u>(413,720)</u>	<u>(174,362)</u>
Balance as at 1 July 2017	229,528	(4,114)	11,824	639	(338,375)	(100,498)
Loss for the year representing total comprehensive income for the year	-	-	-	-	(14,328)	(14,328)
Balance as at 30 September 2017	<u>229,528</u>	<u>(4,114)</u>	<u>11,824</u>	<u>639</u>	<u>(352,703)</u>	<u>(114,826)</u>

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issue, as at the end of the current financial periods reported on and as at the end of the corresponding period of the immediately preceding financial year.

	No of shares	
	30 September 2018	30 June 2018
Issued ordinary shares		
Balance at the beginning of the financial period	893,442,375	823,442,375
Placement of new shares	-	70,000,000
Total issued shares excluding treasury shares	<u>893,442,375</u>	<u>893,442,375</u>
Outstanding share options	<u>1,090,000</u>	<u>1,090,000</u>

The Company has a share option scheme known as Falcon Energy Group Employee Share Option Scheme ("the Scheme") which was adopted on 28 October 2004 and had lapsed on 27 October 2014. As the Scheme had been discontinued, no further share options may be offered by the Company. The discontinuance of the Scheme however does not affect share options which have been granted and accepted. Such outstanding share options remain exercisable until they lapse and become null and void.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As above.



1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Balance as at 1 July 2018 / 30 September 2018	No of shares <u>16,810,900</u>
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2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have neither been audited nor reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in Note 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current period as those of the audited financial statements as of 30 June 2018.

5. If there were any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted the Singapore Financial Standards (International) ("SFRS (I)"). The Group has performed a detailed analysis of the transition options and other requirements of SFRS (I) and has determined that the adoption of SFRS (I) 109 resulted in changes in the accounting policies relating to the recognition and measurement of its receivables, and additional disclosures to be made with respect to the expected credit loss model. The adoption of SFRS (I) 115 resulted in the changes to the accounting policies relating to revenue recognition and revenue will be recognized when (or as) a performance obligation is satisfied. Additional disclosures will be made, including any significant judgement and estimation made other than the adoption of the new SFRS (I)s, amendments and Interpretations of SFRS (I)s which took effect the current financial year, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited financial statements.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	THE GROUP	
	1Q 2019	1Q 2018
	1 Jul 2018 to 30 Sept 2018	1 Jul 2017 to 30 Sept 2017
Net loss attributable to Owners of the Company (US\$'000)	<u>(5,428)</u>	<u>(3,573)</u>
Weighted average number of ordinary shares ('000)	<u>832,289</u>	<u>806,944</u>
Earnings per ordinary share ("EPS") for the period/year		
(a) Basic EPS (US cents)	(0.65)	(0.44)
(b) On a fully diluted EPS (US cents)^	(0.65)	(0.44)

^ the outstanding options and the warrants were "out-of-money".

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.

	THE GROUP		THE COMPANY	
	As at	As at	As at	As at
	30/09/2018	30/06/2018	30/09/2018	30/06/2018
	US cents	US cents	US cents	US cents
Net asset value ("NAV") per ordinary share based on issued share capital excluding treasury shares as at end of the period reported on	6.00	10.86	(19.52)	(19.36)

Notes:

The Group's and the Company's NAV (represented as equity attributable to owners of the Company) per ordinary share as at 30 September 2018 and 30 June 2018 have been computed based on the number of 893,442,375 ordinary shares issued excluding treasury shares.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

With effect from 26 July 2018, CH Offshore Ltd ("CHO") ceased to be a subsidiary and has been accounted as an associate of the Group.

1Q 2019 vs 1Q 2018 Results

The comparison analysis excludes CHO.

The Group's revenue and other items of profit or loss have decreased during the 3 months period ended 30 September 2018 as compared to that of prior period as CHO ceased to be a subsidiary of the Group as mentioned above. Without considering the financial contribution of CHO to the Group for 3 months period ended 30 September 2017, the review of the Group's financial performance is set out below.

The Group recorded a decrease in revenue of US\$3.73 million or 37.1% from US\$10.05 million (excludes CHO) for the 3 months period ended 30 September 2017 ("**1Q 2018**") to US\$6.32 million for the 3 months period ended 30 September 2018 ("**1Q 2019**"). The difference is mainly due to the lower volume from Oilfield and Drilling Services and Oilfield Projects division.

The Group's average gross profit margin (before direct depreciation) has decreased by 20.0% from 55.2% in 1Q 2018 to 35.2% in 1Q 2019. This is due mainly to the reason as above-mentioned.

Other operating income increased by US\$0.46 million due mainly to the increase in other vessel operating income.

Administrative expenses decreased by US\$1.29 million from US\$4.73 million in 1Q 2018 to US\$3.44 million in 1Q 2019 are mainly due to cost reduction initiatives.

In 1Q 2019, the Group shared net loss from associates and joint ventures of US\$0.14 million were due to poor performance from associates and joint venture during the 3-month period ended 30 September 2018.

With the mentioned factors above, the Group generated a loss before tax of approximately US\$5.73 million in 1Q 2019.

Statement of financial position and Statement of cash flow

Current assets decrease by US\$96.08 million from US\$195.31 million as at 30 June 2018 to US\$99.23 million as at 30 September 2018. The decrease is mainly due to the completion of disposal of partial interests in CHO during the period amounted to US\$103.76 million. The impact was cushioned by the increase in trade and other receivables by US\$8.16 million.

Non-current assets increase by US\$22.88 million from US\$171.20 million as at 30 June 2018 to US\$194.08 million as at 30 September 2018. The increase was due mainly to the recognition of investment in CHO which is accounted for as an associate of US\$31.82 million. The effect was offset by the decrease in property, plant and equipment, which mainly due to depreciation charges.

Current liabilities decreased by US\$32.86 million from US\$206.71 million as at 30 June 2018 to US\$173.85 million as at 30 September 2018. The decrease is mainly due to repayment of borrowings amounted to US\$17.68 million and disposal of liabilities arising from the completion of partial disposal of CHO amounted to US\$24.16 million. The impact was cushioned by the increase in trade and other payables amounted to US\$8.83 million.

Non-current liabilities remained consistent as compared to 1Q 2018.

Net cash used in operations amounted to US\$0.02 million. Net cash flow generated from investing activities amounting to US\$18.37 million was primarily derived from the proceeds from the disposal of CHO's shares. Net cash flow used in financing activities of US\$19.64 million was mainly for repayments of borrowings and interest.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Crude oil prices have shown indication of upward trend. The Group notices increased activities in oil companies and expects to see more tenders. Nevertheless, the macro business environment will continue to be challenging due to high level of global political and economic uncertainties.

The Group will intensify its business development activities, with focus on geographical areas and niches in the offshore marine markets which have shown increased activities, so to increase its fleet utilization rate. The Group will also continue to exercise financial prudence to ensure it stay resilient and adapt to fast changing market conditions.

11. Dividend

(a) Current financial period reported on

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Book closure date

Not applicable.



12. If no dividend has been declared (recommended), a statement to that effect.

Not applicable.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group did not obtain a general mandate from shareholders for Interested Person Transactions.

Interested Person Transactions

Not applicable.

14. NEGATIVE CONFIRMATION PURSUANT TO RULE 705(5) OF THE SGX LISTING MANUAL

The Board of Directors has confirmed that, to the best of their knowledge, nothing material has come to their attention which may render these financial results for the 3-month period ended 30 September 2018 to be false or misleading.

15. CONFIRMATION PURSUANT TO RULE 720(1) OF THE SGX LISTING MANUAL

The Company confirms that it has procured the undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 pursuant to Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Tan Pong Tyea
Chairman and Chief Executive Officer

13 November 2018